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C O N F I D E N T I A L SECTION 01 OF 02 PHNOM PENH 001757

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STATE FOR EAP/MLS, DRL/IL--MARK MITTELHAUSER

E.O. 12958: DECL: PUBLIC ANNOUNCEMENT OF ACTION AGAINST KYFTU

TAGS: ELAB KCOR PGOV CB

SUBJECT: CORRUPT CAMBODIAN UNION UNDER INVESTIGATION

Classified By: Poleconoff Jennifer Spande for reason 1.4(b).

¶1. (C) SUMMARY. The Cambodian government has formed a commission to investigate the Khmer Youth Free Trade Union (KYFTU), a labor union notorious for extorting garment factory management and beating rival union leaders. If the commission can find sufficient evidence of illegal activities, the union is likely to be dissolved and may be fined as well. The Ministry of Labor is worried that such a move may be misconstrued as an attack on freedom of association. In conversations with Ministry of Labor officials, Poleconoff stressed the need for the government to emphasize that it was cracking down on one highly corrupt labor union and not the labor movement as a whole, and has offered to provide background information about KYFTU activities. END SUMMARY.

Khmer Youth Union Under Investigation

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¶2. (C) During a Sept. 12 meeting, Prak Chantha, Secretary of State at the Ministry of Labor and Vocational Training, told Poleconoff and Labor Assistant that Ith Sam Heng, Minister of Social Affairs, Veterans, and Youth and chair of the National Strike and Demonstration Commission, had recently formed a sub-committee to investigate the Khmer Youth Free Trade Union (KYFTU). The sub-committee, which includes representatives from the Ministries of Justice, Labor, Social Affairs, and Interior, as well as the municipality of Phnom Penh, was currently gathering evidence against the union. While union leaders could be subject to criminal charges for suspected cases of arson, property damage, and other offenses, Prak Chantha thought it was most likely that the union would simply be dissolved and perhaps fined in accordance with Cambodian labor law. No other unions are under investigation or expected to be investigated.

¶3. (C) Despite receiving complaints about KYFTU activities from the Ambassador, senior Gap officials, and the Garment Manufacturers Association, Prak Chantha remained concerned about the potential diplomatic and international reaction to such a move. Poleconoff assured her that the Embassy was well aware of the KYFTU's corrupt activities and the damaging effect that they had on the garment sector and the reputation of other unions, but said that the Ministry would have to make it clear that it was cracking down on one extremely corrupt union, and not the labor movement as a whole.

The Notorious KYFTU

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¶4. (SBU) In a country where corruption is endemic and even the most credible labor unions are thought to have occasional cases of bribery, the KYFTU has a well-earned reputation as the nation's most corrupt union. Distrusted by employers,

government officials, other unions, and international observers, the KYFTU operates as an extortionist gang, using a small number of members at large factories to create labor unrest unless they are paid off by factory management. In the first eight months of 2006, the KYFTU was responsible for 22 garment sector strikes--more than any other union. Several of these strikes involved less than 20% of the workforce, but still managed to bring production to a halt. In a recent case, two KYFTU supporters falsely claimed to represent workers who had signed a petition with 14 demands about working conditions. In fact, most of the demands had already been resolved, the petition had been altered after signatures were gathered, and KYFTU had just five supporters in a factory employing 4,000 workers.

¶5. (SBU) The KYFTU has also been accused of being "thugs for hire" utilized by unscrupulous garment factory management to harass legitimate unions. During a recent meeting with Poleconoff, the presidents of the Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) and the Free Trade Union (FTU) accused management at four garment factories--Bright Sky, Suntex, Rainbow, and Yung Wah--of hiring the KYFTU to beat CCAWDU and FTU factory-level union leaders at those factories. Several other union presidents reported KYFTU members threatening factory-level leaders of rival unions.

¶6. (C) COMMENT. The government is taking a step in the right direction by starting an investigation that is likely to lead to the dissolution of the KYFTU. Combined with garment-sector wide labor negotiations currently underway, dismantling this extortionist gang could go a long way towards quieting the excessive labor unrest in the garment industry. However, the government's concerns about how such a move will be perceived are well-founded, as KYFTU leaders

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are likely to raise loud objections to buyers, international press, and corporate social responsibility groups who may not be familiar with the KYFTU's illegal activities. Poleconoff has offered to provide background on alleged KYFTU activities and its reputation. END COMMENT.

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